



NATURAL GAS DEVELOPMENT

ALBERTA'S GAS EXPORT POLICY

No. 14 in a series
of pamphlets on
Alberta Government
Services.

Government of the
PROVINCE OF ALBERTA

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The following is the text of a radio address given by the Honourable N. E. Tanner, Minister of Mines and Minerals, on April 28, 1952.

As some of you have heard, it is my intention this evening to discuss the question of gas export. The reason is:

First, that the Alberta Government realizes the great importance of proper development and conservation of our natural resources and we feel that the people of the Province should be kept fully informed as to any major decisions regarding these resources.

In the second place, there has been excessive loose talk and misleading statements bandied about in recent weeks concerning this matter of the export of gas. Many of these have come from representatives of special interests, from those who have neither the desire nor inclination to give full study and thought to the matter, and also from those who would oppose anything—I repeat, anything—approved by the Government, simply for the sake of opposition.

Every effort is being made by those critical of the Government to smother the real facts of this matter in a storm of words, hopeful that when the dust has settled they'll find a political issue ready-made for their purposes rather than something that would be in the best interests of the people of the Province. I am not referring to those people who are trying intelligently to find and weigh the facts of

this matter. To these I would like to give a brief background of the whole question, an outline of the situation as it is today, and the possibilities of the future, as I see them.

How can anyone say without a measure of dishonesty that this Government is not interested in the conservation of the resources of Alberta? One of the first actions taken by your present administration was to put a stop to the flagrant waste of gas in the Turner Valley field. This was done by setting up the Conservation Board in 1938. The Social Credit Government came into power in 1935 but it was not until 1938 that we were able to convince the Government at Ottawa that we should be given authority and control over the use of the resources of our people. Many of you listening tonight will remember the old days of Turner Valley when gas flares lighted up the whole night—sufficient gas was burned in those years to justify a pipeline all the way to Winnipeg.

Gas Resources Preservation Act

In 1949 the Government passed the Gas Preservation Act, giving it authority to control gas export and to protect the present and future requirements of the Province first and always.

The Act provides that the Conservation Board shall inquire into and hear all applications for export and may with the approval of the Government grant or refuse a permit. However, the Board is prohibited from granting an export permit unless the gas covered by the permit, in its opinion, is surplus to the present and future needs of the Province.

The competency of the Conservation Board has never been questioned—the sincerity of the three members of the Board is recognized by everyone. A year ago the Board found that the established reserves of natural gas were not sufficient to justify export. However, during 1951 the established reserves were increased by approximately 45 per cent in the light of new discoveries, further development of known discoveries, and new data obtained concerning previous reserves. It was determined that even if there were no further gas reserves proved up there would be sufficient gas to meet all the requirements of the Province, both the annual and peak loads, for a period of thirty years, plus a surplus of 300 billion cubic feet. The Board recommended that it would be in the best interests of the Province to permit the export of this limited quantity of gas under stringent conditions from the gas fields in the Peace River area.

Government Policy

The policy of the Alberta Government in respect to gas export has been made clear. The two major aspects of this policy as enunciated many times in the past few years are:

1. The present and future requirements of the people of Alberta would have to be fully protected at all times.
2. When a surplus of gas has been established over and above the requirements of the Province, then and only then, would the Government approve export, being confident that this would be in the best interests of the Province and of Canada.

It should be kept in mind that the present gas reserves have been established largely as a result of the search for oil. With no governmental restriction on the marketing of oil our reserves have increased thirty-fold since 1946. Surely if a concentrated effort was made to search for and develop gas reserves in the Province with the favourable conditions that exist, similar results would follow as experienced in our oil development.

There is only one way to bring about such a concentrated effort, and that is by making a market available for dry and residue gas.

The Gas Resources Preservation Act was enacted by the Government to state clearly and under what conditions surplus gas could be removed from the Province. With this policy on gas export so clearly stated, and with the findings of the Board being so definite, surely the people must feel that their interests have been fully protected, and no company can truthfully say that the Government has broken faith with it.

What has happened elsewhere when export of gas has taken place? Alberta is not by any means the only locality on this Continent to have vast supplies of natural gas. There is the State of Texas across the border that has been exporting gas to any area which it is economically feasible to serve. Why has Texas this attitude? Simply because it found that with export, increasing and progressive supplies of more gas were found and, what is even more interesting, it brought to that State the greatest industrial expansion in the petro-chemical field

ever to be witnessed anywhere. Remember—it brought Texas two things—increasing supplies and more industries.

It also is of importance to note that Texas has done this without—I repeat, without the big ratio of proven reserves to annual marketed production that we are demanding at present here in Alberta. Actually, the established reserves here in Alberta in relation to marketed production for the year 1951 are four times that of Texas. Even then, in Texas where they experienced a record marketed production during 1951 of 3.7 trillion cubic feet, the reserves showed an increase of 3 trillion over the year previous and a corresponding increase in oil and liquid petroleum reserves was experienced.

Certainly the Conservation Board here has been very conservative in dealing with the situation as it exists in this Province. The Board is of the opinion that based on Provincial experience in discovering new gas reserves, gas reserves in Alberta will increase by at least a trillion cubic feet a year, if between 400 and 500 wildcat wells are drilled annually for a period of from eight to ten years. A trillion cubic feet of gas is 100 million cubic feet a day for over 25 years. Experience in the U.S.A. and the trend in the United States and Alberta today is sufficient evidence that large additional supplies of gas will be found and much in excess of the additional requirements, provided there is an incentive by way of market outlets. However, I am sure you will agree with me that it has been wise for the Board to adopt an ultra-conservative approach to this important matter.

A 30-Year Supply

I would like, just at this point, to refer to this matter of a 30-year supply for this Province. Some have mistakenly interpreted this as a fixed and final 30-year period dated from 1952. Such is not the case. As each year goes by the 30-year period moves ahead, and no export permit will be granted at any time unless there is an established surplus over and above the requirements of the Province for thirty years. In other words, it is a progressive period—a continuing margin of protection for the people of this Province.

Now there are those who will say that despite all this, despite the adequate protection given to future requirements of the Province, gas should not be exported from Alberta, that it should be hoarded here to attract industry, that without it all is lost from an industrial point of view. That is a view that I can only term ridiculous. Not only is it short-sighted but it completely overlooks the results that have been achieved by man through the development of all our resources, and ignores progress in the form of technological improvements and development of new sources of energy. The answer to this assertion is that absolutely nothing is achieved by leaving a resource in the ground. It must be brought up and put to use if it is to benefit mankind. That applies to our oil, our coal and other minerals, and it applies to our gas.

Gas has brought to Alberta a goodly share of industrial expansion in recent years. It will continue to do so with export. As a matter of fact, the

industrial and economic growth of this Province under a policy of gas export will dwarf anything that we have seen in recent years. Not only will we continue to attract those industries in search of a low-cost industrial fuel, but, in addition, we will attract those industries that use the by-products of the processed gas, together with low-cost fuel. I would explain here, for those who do not know this technicality of gas production, that gas in the form it is taken from the ground is not the gas that is exported. Before gas goes into a pipeline, any substances economically recoverable, such as sulphur, ethane, propane, butanes and natural gasoline, are extracted; in fact, the Conservation Board, with the approval of the Lieutenant Governor in Council, has authority to require all gas to be processed to remove these substances, whether it is to be exported or not.

We should bear in mind that some of our larger gas fields now shut in for lack of markets contain these rich raw materials, whose value at current prices is much in excess of the value of the residue gas, and would provide the raw materials for petrochemical expansion, together with supplies of propane, a fuel equal in convenience to gas, and which can be stored in pressure tanks for home use or to supply communities. The production of these fields, of course, depends on there being a market for the residue gas.

Propane for Farm Homes

Thousands of Alberta farm and rural homes cannot be economically supplied with gas because of

transportation and distribution costs, and for them propane is the answer. Consumption of propane in the Province has increased tremendously in the last few years, to a point in fact where it had to be imported from the United States last winter. It is on the basis of the extraction of these products wherein lies Alberta's opportunity for a great industrial future.

I should like now to review some of the conditions of the export permit recommended by the Conservation Board for issue to the West Coast Transmission Alberta and Dominion Companies.

1. The permit is for 22 years—approximately two years being allowed for the construction of the line—and allows the export of 42 billion cubic feet a year for the first five years of export, and at a rate to be fixed by the Board for the balance of the term.
2. No gas can be removed from the Province until the company builds a sales' lateral from its main gathering lines to make gas available to the communities of Grande Prairie, Clairmont, Sexsmith, Webster, Woking, Esher, Rycroft and Spirit River.
3. The Alberta Company also must make gas available to any other town or consumer where, in the opinion of the Board, it is economical to do so.
4. The company may be required to process the gas and extract all substances except methane, therefore leaving only the methane or dry residue gas to be exported from the Province.

5. The Alberta Company will own and operate all of the gathering, transmission and distribution lines within the Province, thereby ensuring that at all times they will remain under the control of the Alberta Government and Conservation Board.

In conclusion I should like to emphasize the following points:

1. The Board has found, and the Government is convinced, that the present proven reserves are sufficient to meet the needs of the Province for thirty years, taking into consideration the future population, growth and industrial development.
2. There is a surplus to be exported under certain restrictions and conditions from the Peace River area, and which will ensure the towns in that area being supplied which otherwise could not get gas.
3. Export of the surplus gas is in the best interests of the people of the Province as well as of Canada, because:
 - (a) It will encourage more rapid development of our oil and gas resources (as for oil and as in Texas).
 - (b) Petro-chemical industries will be encouraged to come to Alberta because of the raw materials required being extracted before the residue gas is permitted to leave the Province, as well as relatively cheap fuel always being available (as in Texas).

- (c) Gathering lines will make gas available to some communities which otherwise could not be supplied.
- (d) Propane will be made available to tens of thousands of farm and rural homes where natural gas cannot be piped economically. Last year we had to import propane.

In the studied opinion of the Government, the report made by the Board was complete and the recommendations were sound. I believe you will agree with me when I say that the present administration of this Province has not been given to rash decisions, but has tried conscientiously for the past sixteen and one-half years to administer the affairs of this Province with one thing only in mind, and that is the welfare of the people who live here, and in this important matter we are determined to carry forward with that same interest in mind. The result of the policy adopted here will, I am sure, in the not too distant future, prove that the action taken by the Government, on behalf of the people of Alberta, was another beneficial move.

The Petro-Chemical Industry

The petro-chemical industry is still in its infancy. It started early in the '20s and has grown rapidly. In the last 10 years, more than 250 new chemicals have been added to its list of products each year.

Despite expansion, petro-chemical production is still a relatively small consumer of petroleum products. Less than one percent by weight of all oil and

gas produced in North America is used in plants of this kind. From the viewpoint of the industry, there is an almost unlimited supply of raw materials.

In Alberta, all the materials essential for a successful petro-chemical industry exist in large quantities. Salt, sulphur, lime and hydro-carbons are readily available and can be used for products such as acetylene, alcohols, glycols, glycerine, rubber, carbon disulphide, benzine, detergents, insecticides, and chemicals based on synthetic ammonia such as explosives and fertilizers. Polythene can be made in Alberta because cheap raw materials more than offset the high freight rates for shipment to Ontario and Quebec.

Alberta is the logical section of Canada where direct use can be made of natural gas in chemical synthesis. Its position in the petro-chemical field is strengthened further by our abundant supplies of coal and salt which are necessary before a number of chemical processes can be carried out.